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C O N F I D E N T I A L SECTION 01 OF 05 KATHMANDU 001189

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SUBJECT: CLAD SCENESETTER

Classified By: Ambassador Nancy J. Powell. Reasons 1.4 (b/d).

Introduction

1. (C) U.S. Mission Kathmandu warmly welcomes you to Nepal. In April, Nepalis elected a long awaited Constituent Assembly. In May the Assembly completed the country's two-year-long evolution from a kingdom to a republic by abolishing the monarchy. Since August, the former Maoist insurgents have been leading a coalition government which includes three of the four largest parties. The formerly dominant center-right Nepali Congress (NC) chose to stay in opposition. The center-left Communist Party of Nepal-United Marxist Leninist (UML) has joined the cabinet and now finds itself in the position of mediating between the Communist Party of Nepal-Maoist (CPN-M) government and the NC. The Madhesi parties are divided and will have to reconcile regional demands with their new national roles.

Bilateral Relations

2. (C) Bilateral relations with the new Maoist-led government have been less rocky than one might have expected given the Maoists' history of anti-U.S. rhetoric and the continued U.S. listing of the CPN-M on both the terrorist exclusion list and the specially designated nationals list. So far, the GON has expressed eagerness for the U.S. to maintain, if not increase, its assistance and engagement in Nepal, including military assistance. (There has been no reduction in the level of government security provided to the U.S. Mission.)

Government of Nepal Plans

3. (C) Based on almost three months in office, the Government of Nepal's performance reveals some grounds for optimism. On the plus side, key members of the cabinet (PM, Foreign, Defense, Home, Peace & Reconstruction) seem to know what they want to accomplish and to be pursuing those goals energetically. Nepalis appear to be generally satisfied with the GON's response to its initial crisis - the failure of the Koshi River embankment on August 18. Trips by the Prime Minister and other ministers to China, India and the U.S. seem to have struck the right balance for a government that needs good relations with all three. On the minus side, the 601-member Constituent Assembly (CA) has yet to finalize its

rules of procedure or elect its leaders and the drafting of a new constitution has not begun. (Note: This may change during or immediately before your visit. The rules were tabled in the Assembly on November 10. End note.) The budget was approved only on November 11, although the fiscal year began July 1. All the major parties are riven with internal dissension, leaving the current coalition unstable. The peace process is also stuck. As the UN Secretary General's Special Representative reported to the UN Security Council on November 7, there has been almost no progress on peace agreement issues since July.

Maoists To Be Judged By Deeds Not Words

14. (C) In her meetings with with Prime Minister Dahal and other Maoist leaders, the Ambassador has emphasized that the United States will judge the CPN-M and this government by their deeds, not their words. She has stressed that the U.S. expects the CPN-M to conduct itself as a democratic party, to respect human rights and to end the use of violence. The Ambassador has explained that any decision to remove the Maoists from the specially designated nationals list and the terrorist exclusion list would be made in Washington and would be a lengthy process. She has been frank in pointing out that ongoing YCL activities are a violation of the CPN-M's peace process commitments, called into question their intentions and create a hostile environment for any further changes in U.S. policy. Assistant Secretary of State for South and Central Asian Affairs Richard Boucher emphasized these same concerns in his meetings in September and October

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in the U.S. with Dahal, Finance Minister Bhattarai (CPN-M) and Madhesi People's Rights Forum chairman and Foreign Minister Upendra Yadav.

Other Countries' Views

15. (C) India is by far the most important election foreign country for Nepal. Despite its surprise over the results, misgivings about Maoist objectives and a long-standing relationship with the NC, the Government of India has reaffirmed India's strong support for Nepal's new political configuration. The United Kingdom shares many of our concerns about the Maoists, but its Ambassador has been talking directly with the CPN-M for more than two years. The Office of the UN High Commissioner for Refugees has received assurances that the Maoist-led government will continue to facilitate third-country resettlement of Bhutanese refugees and uphold the gentlemen's agreement which allows Tibetan refugees to transit Nepal to India. (CPN-M support in the past for anti-resettlement Bhutanese Communists in the camps was an open secret.) There is ample evidence that Beijing was dissatisfied with the former Nepali government's handling of the Tibetan issue, especially the protests that continued at intervals from March through September, and hopes the Maoists will be more accommodating. However, the new GON's stance on Tibetans has thus far been benign.

Progress In the Peace Process and UNMIN Operations

16. (C) On 28 October, the GON announced the formation of the much anticipated Army Integration Special Committee (AISC) as called for in the Article 146 of the Interim Constitution to manage integration and rehabilitation of the Maoist People's Liberation Army. The Committee was quickly formed before the arrival of the UN Secretary General Ban Ki Moon visit to Nepal in an attempt by the PM to show positive progress on the peace process. The NC loudly opposed the committee in the newspapers and to the Secretary General. The UML and MPFRF, though having suggested the formation of the Committee, have since undermined its progress by siding with the NC on procedural issues. The parties are now in negotiations over the Terms of Reference and ultimate make-up of the committee. Once the committee is formed, we expect them to appoint a

technical committee to do the lion's share of the work.

¶7. (C) UN Special Representative Ian Martin reports significant divisions among Maoist party members (and other parties) over the composition and TOR of the AISC. To show some movement on the Peace Process, Martin believes the GON should concentrate in the short term on: (a) removing the 4,000 non-combatants in the PLA cantonments, and establishing appropriate re-integration programs; (b) consolidating the current 28 cantonments into 7; and (c) consolidating arms from the 7 main cantonments into one location and/or destroying them. These measures could be taken relatively rapidly, should not require a decision by the special Committee, and will allow UNMIN to show progress and reduce its staff further. The GON also needs to determine as soon as possible its need for a further extension of UNMIN. The PM asked Ian Martin to coordinate international support for the Special committee and seems to support an extension to UNMIN, but would prefer the request to be recommended by the AISC Committee. Most non-Maoist actors (NC, Nepal Army, and Indians) would prefer to see UNMIN go. We support an extension until it is clear the GON can manage the process.

Relations Between the MOD and NA

¶8. (C) The relationship between the Ministry of Defence and the Nepal Army remains fragile. The sole Army officer posted to the MOD was long ago transferred to become the Aide to the President and the MOD hasn't seen a need to replace him. The Army is happy to appoint a new officer, but says the MOD has refused. The Minister of Defence told the Ambassador that

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while he agrees that serving officers should be posted to the MOD, he is more concerned with first establishing civilian supremacy over the Army. There is also evidence that General Katawal has begun to go directly to the PM, by passing the Minister of Defence. As a DOD civilian, it would be good for you to relay your experiences and the importance of civilian supremacy as well as the need to have uniformed and civilians working closely in the same office.

Military Assistance

¶9. (U) The U.S. maintains a modest military assistance program in Nepal, though reduced in scale from that during the conflict period. In response to changed conditions, our activity has shifted from a focus on supporting the counter-insurgency effort to one of supporting the peace process, civilian control of the military and defense reform.

¶10. (U) Nepal's FY08 International Military Education and Training (IMET) budget is roughly in line with historical trends. However, Congressional restrictions applied last year in response to human rights concerns allowed these funds only to support Expanded-IMET (E-IMET) activities. The substantive impact of this restriction for the Army has been minimal, as they continue to enjoy Professional Military Education and training opportunities from various international partners, principally China and India. However, many in the Army perceive this as a deliberate partisan slight, which they feel is unfair given that the Army has not overtly interfered in the electoral process, the abolition of the monarchy, or the installation of the Maoist government. You can expect to be questioned on this policy and when it may be changed. Post supports and continues to pursue a resumption of traditional IMET, both to sustain our influence and to groom the next generation of Nepal Army leadership. In the interim, however, we have shaped our E-IMET training offerings to support reformed defense sector management, civil-military relations, and the Army's capacity to provide disaster response and humanitarian relief options to the civilian government.

¶11. (C) Nepal received a robust Foreign Military Financing (FMF) package during the conflict, which was abruptly

terminated in response to Congressional human rights concerns. Nepal has received no FMF since 2006; and several open cases - including one for weapons - were interrupted at roughly the same time, due to a Government of Nepal decision to suspend import of lethal equipment. Consequently, some unexpended funds remain available; however, distrust between the Army bureaucracy and the Ministry of Defence have prevented these funds from being productively applied to some alternative resource requirement. Army officers routinely raise this issue with high-ranking foreign visitors, and suggest various means by which lethal assistance could be provided to the Army without going through the Ministry of Defence. While politically savvy officers have moved away from this in recent months, you can expect to be questioned on this issue. We routinely regret these efforts out of hand. Post expects problems to continue in the near-term between uniformed officers and the Ministry in regard to acquisitions, and consequently has not pushed for FMF resumption. Presuming relations improve in the out years, FY10/11 and beyond, Post has made modest FMF budget requests oriented on developing material capacity which supports peacekeeping deployments and domestic disaster response.

¶12. (C) Nepal continues to enjoy an annual allocation of one Joint Combined Exchange Training (JCET) team annually, although a productive relationship between SOCPAC, the Nepal Army, and Post routinely leads to additional out-of-cycle opportunities. Consequently, Nepal hosted two JCETs in FY07, two in FY08, and is scheduled for two in FY09) all conducted with the Nepal Army Ranger Battalion. Particularly within the current political confines - both U.S. and Nepali imposed - these events are the single most valuable tool for

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enhancing the Nepal Army,s professional military capacity. Moreover, the Nepal Army has wisely devised means of enhancing the impact of these events; and after each iteration, the Ranger Battalion creates its own Mobile Training Teams to disseminate lessons learned across the Army in general. Looking ahead, it is unclear whether a Maoist-led government will continue to support these events, particularly given suspicions over the role of the Ranger Battalion and the intent of U.S. Special Forces in country, and Post seeks to frame these interactions within the more benign aspects of military activity. The first event held under Maoist authority was deliberately focused on addressing issues associated with the Nepal Army,s upcoming peacekeeping deployment to Darfur; and Post has requested the two events planned for FY09 to focus on developing search-and-rescue related skills in mountainous terrain.

Peace Keeping

¶13. (C) Global Peace Operations Initiative (GPOI) funding routinely provides opportunities for Nepal Army officers to attend UN qualifying courses abroad, and for Nepal Army units to participate in multilateral peacekeeping training events. In country, GPOI funded U.S. teams continue to provide periodic courses, either to develop or to certify Nepali training conducted at the Birendra Peace Operations Training Center (BPOTC). With Nepal,s recent decision to raise its peacekeeping commitment from 3,500 to 5,000, the requirement for additional training capacity - both personnel and infrastructure - has also risen. Post supports sustaining the current GPOI program; but would not request additional resources until the Nepal Army leadership demonstrates an equal commitment (e.g. the BPOTC remains routinely under-staffed). Peacekeeping and related U.S. assistance are likely to gain increasing prominence in the days ahead as the Army works to redefine its role and place in Nepal,s security architecture. Illustrative examples include efforts by the Ranger Battalion (formerly the premiere counter-insurgency unit) to redefine itself as the premier unit for peacekeeping early-entry and quick reaction missions; and the Army,s tactic of raising suitability for UN missions as a key objection to large scale induction of

Maoist ex-combatants into the military.

Civil-Military Relations.

114. (C) In addition to the routine, formal civil-military courses offered through E-IMET, Post has supported a series of related seminars and workshops in country over the last two years. Funded through a one-time &no-year8 E-IMET grant, these events bring together uniformed officers from the various security services, the civilian ministries, political party leaders, and members of civil society. Facilitated by U.S. experts and the leader of a local think tank, these sessions provide discussion and recommendations on a range of topics including: development of a national security strategy, management of a national security council, and required legal reforms within the security sector. While the principal aim of this initiative was originally, and still remains, to promote substantive legal and policy reforms - future iterations will address incorporating past sessions into the constitution writing process - unexpected impacts have been perhaps even more significant. First, the simple principle of dialogue between these diverse players, something notably absent in the past, has had a significant role in building trust and networks during a particularly sensitive time. Second, key players in this process have, in consequence, become key players in their respective organizations regarding security-related issues. As a result, this core group appears to have taken on an instrumental, behind-the-scenes role in shaping the current dialogue regarding the disposition of Maoist ex-combatants and the ultimate conclusion of the peace process - providing Post a unique perspective on the current status of negotiations, and the various players, positions.

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